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Intellectual Ammunition

On State and Local Issues

Potshots

Success is getting what you want. Happiness is liking what you get.

—H. Jackson Brown

When someone with a rural accent says, "I don't know anything about politics," zip up your pockets.

—Donald Rumsfeld

If a committee is allowed to discuss a bad idea long enough, it will inevitably vote to implement the idea simply because so much work has already been done on it.

—Ken Cruickshank

The truth of the matter is that you always know the right thing to do. The hard part is doing it.

—Gen H. Norman Schwarzkopf

No problem is so big or so complicated that it can't be run away from.

—Charles Schultz

Do not put off till tomorrow what can be put off till day-after-tomorrow just as well.

—Mark Twain

For every simple problem, there's a solution that is short, simple . . . and wrong.

—H.L. Mencken

Some of the world's greatest feats were accomplished by people not smart enough to know they were impossible.

—Doug Larson

Environmental Regulation: Where Is It Headed?

by Jane S. Shaw

State and local government officials have good reason to be glum. A year ago, after the Republican sweep of Congress, the federal regulatory juggernaut was in danger. In its first one hundred days, the House declared a moratorium on many new regulations, demanded cost/benefit analysis, and tried to ease the Clean Water Act. But environmental reform has fizzled. Caution and negotiation are the order of the day. House Speaker Newt Gingrich has even announced that Republicans will rethink environmental policy. "We clearly are strategically out of position on the environment," he said in November.

Congress has apparently forgotten such regulatory absurdities as the fact that Anchorage, Alaska, must add five thousand pounds of fish waste into its water every day so that it can meet the EPA requirement that 30 percent of the sewage's organic materials be removed. Or that people have gone to prison for dumping a few truckloads of dirt on land that the federal government deemed a wetland. Or that the cost of compliance with federal environmental regulation alone is about $150 billion a year, and many programs cannot show benefits that even come close to justifying their costs.

It's time for state and local officials to remind Congress that Americans wanted change and still do. But in order to put the nation on a more reasonable track, we need to understand how we got on this one.

Three factors explain today's excessive regulation: 1) growing concern about the environment over the past two decades, reflecting greater affluence; 2) overconfidence in the federal government; and 3) federal regulators' tunnel vision.

Growing concern about the environment

The modern environmental movement began in the 1960s. Americans looked around them and saw serious environmental problems. In many cities the air was dirty, and rivers were polluted and full of debris. When the Cuyahoga River caught fire in 1969, the event became a symbol of the need to clean up, and books such as *Silent Spring* articulated people's fears about the effects of new technology.

Ironically, the environment was probably not, overall, getting worse in those years. Robert Crandall, an economist with The Brookings Institution, contends that the nation's air was improving steadily for decades before

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Lisa Doering *(1970)*
administrative asst.

News from the Heartland

by Joseph L. Bast
Publisher

Regulatory reform, round two

"State and local government officials have good reason to be glum," writes Jane Shaw, senior associate of PERC and author of this issue's cover article. Despite the promise conveyed by the actions of the House in its first one hundred days, Congress appears to have run out of steam and given way to caution and negotiation.

Congress's reluctance to address the problem of excessive environmental regulation is a matter of particular concern to states and localities, who, as Shaw points out, bear much of the brunt of excessive environmental regulations. It is incumbent upon state and local governments, therefore, to remind the national government that the regulatory juggernaut of the past two-and-a-half decades is not what Americans want.

Shaw concludes that "the way to environmental progress is clear: economic growth, devolution of responsibilities, and more reasonable regulations." By following those simple guidelines, Congress would restore the proper balance of power between the federal and state governments and ensure effective environmental protection as well.

If you would like more information on how markets—not command-and-control regulations—can best protect the environment, contact Shaw and her colleagues at PERC's offices. The telephone number is 406/587-9591.

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1970 and, in fact, was improving faster in the 1960s—before the Clean Air Act was passed—than in the 1970s after it was passed. Why? Losing fuel through the smokestack or heavy metals in wastewater is costly, and capturing them saves money. Furthermore, polluted parties had successfully sued for damages and forced abatement. So, even though in the short run it was convenient for some companies to emit pollutants, over the long run they had an incentive to clean up their waste.

People's attitudes were changing, too, as their incomes rose. By the mid-1960s, the factory smokestack that once had symbolized progress was viewed as an unpleasant nuisance by those who lived near it. "Postwar affluence had produced a generation reared in relative comfort, one now in search of 'post-material' values long deferred by their elders," says one commentator, Christopher Bosso.

Numerous studies confirm the link between rising income and a desire for greater environmental protection. Members of environmental organizations are among the more affluent Americans. For example, readers of *Sierra*, the magazine of the Sierra Club, have incomes twice as high as that of the average American.

Overconfidence in the federal government

Unfortunately, as awareness of the environment emerged in the late 1960s, Americans looked mainly to the federal government for solutions. Confidence in government, especially the federal government, was strong; the nation had just embarked on the War on Poverty, and the Apollo program to land a man on the moon was nearing its objective.

Environmental activists were impatient. Even though concern about pollution was rising, the average person did not necessarily want the goal of cleaner air and streams to override other goals. State and local officials tried to balance the competing desires of their constituents.

But environmental activists considered the attitudes of state and local governments as parochial, unenlightened, and too political. To force the states to act, they sought more control at the federal level, and they got it. The nationalization of pollution control did not eliminate environmental politics, but changed its location to Washington, D.C.

"Tunnel vision"

Once federal agents took control of environmental regulation, "tunnel vision"—a term adopted by Supreme Court Justice Stephen Breyer—began to be a problem. Justice Breyer calls it a "classic administrative disease," in which "each employee's individual conscientious performance effectively carries single-minded pursuit of a single goal too far, to the point where it brings about more harm than good."

Congress should return more regulatory authority to the states and local governments.

The Superfund program illustrates tunnel vision. Because of the way that the EPA calculates contamination by small quantities of heavy metals, the EPA contends that a number of mining towns in the West have sites that are extremely dangerous to residents. But residents point out that there are no epidemiological signs of harm (such as high levels of lead in the residents' blood) among people who have lived on or near the affected areas for years, even for generations. Yet the EPA persists in pressing for "zero risk." Justice Breyer actually presided over a case in which the EPA wanted to clean the soil so that children could eat small amounts daily for 245 days per year without significant harm. (The site had already been cleaned to the point where they could eat dirt for seventy days a year.)

The way to environmental progress is clear: economic growth, devolution of responsibilities, and more reasonable regulations.

Tunnel vision explains why the nation is spending millions of dollars to clean Superfund sites to achieve a one-in-a-million risk of cancer, but is ignoring far greater risks that could be alleviated more cost effectively. For example, experts estimate that it costs $31,000 to avert a death by upgrading traffic signs. By contrast, the EPA's ban on the production and use of asbestos costs $110.7 million per life saved.

State and local regulators can have tunnel vision, too. However, they more clearly recognize the need to take into account the multiple priorities of local citizens. Federal officials tend to be insulated until the backlash becomes so strong that something like last November's Republican sweep of Congress occurs.

Given this history, state and local governments should go back to Congress and try again to curtail the federal government's environmental over-reaching. What are the principles they should insist on?

First, Congress should encourage economic growth, because affluence increases the willingness and ability of the nation to pay for more environmental protection.

Second, Congress should return more regulatory authority to the states and local governments. Of course, local control of environmental issues would not be a panacea. In Michigan, for example, a tough law patterned after the federal Superfund law made commercial development in cities such as Detroit extremely costly, because it transferred liability for cleanup of hazardous waste contamination to purchasers of property. However, pressure against this law was so strong that it was repealed—long before anything has been done about the federal law. Local regulation offers greater opportunity for correcting mistakes.

Where environmental decisions can't be turned over to states and local governments, Congress should move along the path it set for itself in January. It should require regulators to do more careful risk assessment and, where regulation is warranted, weigh the costs of tighter regulation against its benefits.

The way to environmental progress is clear: economic growth, devolution of responsibilities, and more reasonable regulations.

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Jane S. Shaw is a senior associate of PERC (Political Economy Research Center) in Bozeman, Montana.

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Uncovered

Daniel T. Oliver

Coalition Opposes Bill to Restrict Nonprofit Lobbying

The recent attempt by congressional Republicans to limit lobbying by nonprofit organizations that receive federal tax funding has met a storm of opposition from nonprofits receiving those funds. One organization coordinating the opposition is Independent Sector (IS), a 501(c)(3) Washington, D.C.-based coalition of nonprofits and grantmaking foundations. With a budget of $5 million, its self-described mission is to encourage "the giving, volunteering, and not-for-profit initiative that helps all of us better serve people, communities, and causes."

At issue is a bill introduced by Reps. Ernest J. Istook, Jr. (R-Okla.), David McIntosh (R-Ind.), and Robert L. Ehrlich, Jr. (R-Md.) that would prohibit nonprofits that spend more than 5 percent of their budgets on lobbying from receiving federal tax funds.

Responding to the bill, IS president Dr. Sara E. Meléndez, who until recently served as president of the little-known Center for Applied Linguistics, said, "I'm not sure what the problem is they're trying to fix. They have not been able to demonstrate any pervasive or major abuses of the law that says nonprofits may not lobby with federal funds." She also called the bill "an effort to muzzle the voice of voluntary organizations."

> *One of the Independent Sector's chief functions is to serve as a clearinghouse for information on nonprofit lobbying.*

Members

Many IS members are advocates of increased government spending. Many also are recipients of federal tax funding. These include the Advocacy Institute, Catholic Charities USA Council on Foundations, Environmental Defense Fund ($341,000*), Robert Wood Johnson Foundation, John D. and Catherine T. MacArthur Foundation, NAACP Legal Defense and Educational Fund, National Audubon Society ($149,983*), Natural Resources Defense Council, Nature Conservancy ($20,402,672*), NOW Legal Defense and Education Fund, Sierra Club, World Resources Institute ($406,903*), and YMCA of the USA ($122,395,809*).

Lobbying advocate

IS conducts a range of research on the nonprofit sector, seeks to encourage more volunteering, and works to improve nonprofit leadership and management. But one of its chief functions is to serve as a clearinghouse for information on nonprofit lobbying. IS believes that lobbying "is no less proper—and no less charitable—and no less a health and welfare activity than any other activity that [a] charity undertakes."

IS considers its "longest and perhaps most important battle" to be the 1990 issuance of final regulations for the 1976 Lobby Law. In formulating the rules, the IRS and Treasury Department largely followed the lax lobbying recommendations made by IS's Lobby Steering Group.

IS's lobbying publications include:

- *The Nonprofit Lobbying Guide*, a 148-page book by IS vice president for government relations Bob Smucker that "provides definitive information on the remarkably liberal amount of lobbying permitted under federal regulations."
- *Lobby? You? Yes, Your Organization Can! And It Should!* a 12-page pamphlet "written to encourage groups to elect to come under the generous provisions of the 1976 Lobby Law."
- *Advocacy Is Sometimes an Agency's Best Service*, a 32-page booklet on lobbying rules.
- *The 1990 IRS Regulations Governing Lobbying under the 1976 Lobby Law*, a one-hour video giving "helpful information . . . which walks you through [lobbying] regulations."
- *Facts and Myths about Lobbying by Nonprofits*, a 15-minute video that "underscore[s] the value and importance of lobbying."

IS also provides information about lobbying materials offered by other organizations such as the Council on Foundations and OMB Watch.

Welfare state advocate

IS has consistently opposed federal welfare cuts and discouraged privately supported nonprofits from assuming a larger role in helping the needy:

- A recent IS report: "Government policies must be opposed that transfer responsibility for the provision of human services to voluntary organizations while cutting budgets and other means of support of these organizations."
- Brian O'Connell, former president of IS: "It would be a disservice to . . . exaggerate what voluntary organizations can do."
- Sara Meléndez: "[Nonprofits] must not be asked to assume tasks properly performed by government with its vastly greater resources."

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CAPITAL RESEARCH CENTER

(*Amount of government funding in 1993. Contact Capital Research Center for more information on these organizations.)

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Education

Joseph Walsh

New Group to Push Parental Choice

Arizona superintendent of public instruction Lisa Graham recently joined forces with 11 other education officials, including school superintendents from Florida, Virginia, New Jersey, Georgia, and Pennsylvania, to form the Education Leaders Council. The group, which comes from states currently representing a combined 19 million school-age children, has been formed to work for dramatic reform of public education.

SAT scores are up. But it appears that the better results are more cursory than substantive.

"Most education organizations don't see the forest for the trees," says Ms. Graham. "They ignore the fact that parents want, deserve, and have the right to control their childrens' education."

The Council believes that for schools to remain internationally competitive, reform must be driven by expanding parental choice and private-sector involvement that fosters accountability.

Washington, D.C. update

A school choice program may be on its way to our nation's capital. Pursued by Rep. Steve Gunderson (R-Wisc.), the program would provide vouchers of $3,000 per pupil for families below the poverty line. The vouchers could be used at any private school, including religious schools. Families slightly above the poverty line would be eligible to receive a voucher for approximately $1,500.

House Speaker Newt Gingrich instructed Representative Gunderson to design a school reform package for Washington, D.C. The voucher program is just one aspect of that package, which is part of an entire appropriations bill for the District of Columbia that will be voted on later this year.

The Washington, D.C.-based Institute for Justice worked closely with Representative Gunderson to develop the program. "We believe the proposal is constitutionally solid," says Clint Bolick, vice president and litigation director of the Institute. "The fact that there are no state constitutional issues would make it an ideal First Amendment test case. We will be prepared to defend it when challenged."

The SAT: Is it the students or the test?

According to the education establishment, SAT scores are up. But according to the Center for Education Reform, the better results appear to be more superficial than substantive:

1. The test, having been completely overhauled this past year, has a different format. There are now fewer questions and students have more time to complete the exam.

2. The questions are easier. Vocabulary words, for example, are now tested in context, as opposed to in isolation.

3. The improvement in scores is attributable primarily to improved achievement by those students at the top of the scale.

4. Like the SAT, the ACT also underwent dramatic changes—but the test's designers made clear that scores from the old and new tests couldn't be compared. Even so, ACT scores have not risen in recent years.

"Fearing the worst, especially charter schools, educational choice, and new methods of accountability for schools," says Jeanne Allen, executive director of the Center, "the [education establishment] is at it again, launching an unprecedented campaign to convince Americans that things are okay."

Same old song

A recent Heartland Institute *Policy Study*, titled "Making Schools Work: Spending and Student Achievement," reviews the now-familiar litany of public school woes: Real spending on public education in the U.S. is rising rapidly; student achievement is either flat or falling; and the public schools are littered with a disregard for efficiency, an absence of performance incentives, and an inability to learn from experience.

The study is adapted from a 1994 Brookings Institution book by Eric Hanushek, professor of economics and public policy at the University of Rochester. Hanushek calls on policymakers not to give in to demands for increased education funding. Rather, they should ask why schools are not more productive with the funds they already have. Greater efficiency and productivity would come, Hanushek argues, by letting parents and students decide which schools best meet their needs.

A school choice program may be on its way to our nation's capital.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

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Environment

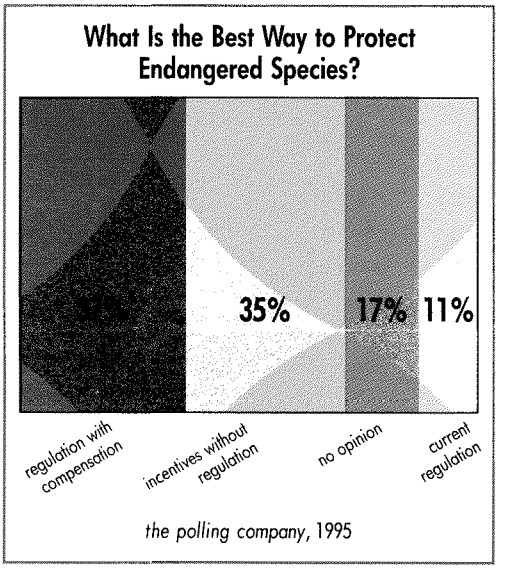
Jonathan H. Adler

Save Endangered Species, Not the Endangered Species Act

It is unlikely that there is a single law less popular with America's landowners than the Endangered Species Act (ESA). The ESA tramples on private property rights more than any other federal statute. Under the ESA, individual Americans have been prevented from building homes, plowing fields, filling ditches, cutting trees, clearing brush, and repairing fences, all on private land. The federal government has even barred private landowners from clearing firebreaks to protect their homes from fire hazards.

When a species is listed under the ESA, the federal government is empowered—in some cases compelled—to regulate private land uses that conceivably could affect that species or its habitat. According to the General Accounting Office, over 75 percent of those species currently listed under the ESA rely upon private land for some or all of their habitat. As a result, enforcing the ESA requires the federal government to regulate a lot of private land, which has produced disastrous results.

Dr. Larry McKinney, director of resource protection for the Texas Parks and Wildlife Department, has said: "While I have no hard evidence to prove it, I am convinced that more habitat for the black-capped vireo, and especially the golden-cheeked warbler, has been lost in those areas of Texas since the listing of these birds than would have been lost without the ESA at all." As a result of the Endangered Species Act—a law that is enforced on private land through regulatory takings—more habitat for these birds may have been destroyed than if the government had not acted to regulate private land use at all.



That landowners would respond in this manner to the imposition of federal land-use controls should not be surprising. Sam Hamilton, former Fish and Wildlife Service administrator for the state of Texas, explains that "the incentives are wrong here. If I have a rare metal on my property, its value goes up. But if a rare bird occupies the land, its value disappears."

What Sam Hamilton describes is precisely what has happened to landowners throughout the nation who have had their land regulated under the Endangered Species Act. It is the inevitable result of using federal land-use controls as a means of pursuing environmental protection; land-use restrictions devalue land for those who are restricted. Insofar as private landowners are threatened with the potential loss of the productive use of their land without compensation by the ESA, landowners will have a strong incentive not to provide habitat on their land.

Were the ESA achieving incalculable environmental benefits through the regulation of private land, some might justify its regulatory nature. Yet the ESA has been a dismal failure. As of March 1995, 26 species had been removed from the endangered species list—eight because the government acknowledged they never should have been listed in the first place (so-called "data errors"), and seven more because the species had gone extinct. The federal government would like to claim that the remaining eleven had actually recovered due to the ESA, but that is not the case. Eight of the eleven should actually be classified as "data errors." The remaining three have certainly recovered from the brink of extinction, but not because of the ESA; the three species—the arctic peregrine, brown pelican, and gray whale—all began their recovery before the ESA became law. Not only is the ESA bad for people, it is bad for wildlife as well.

The solution to the ESA dilemma is to abandon the notion that species conservation can be advanced only through government regulation. That mindset has pitted people against wildlife, when the goal should be to encourage the conservation ethic that has motivated countless Americans for centuries. That can be accomplished only by replacing the ESA's current regulatory structure with a law that emphasizes private action over government fiat, or at least compensates landowners for the costs of existing rules. Polling indicates that either approach would be far more popular than the status quo (see chart).

By moving toward a more voluntary, non-regulatory approach to saving species, we would do less harm to people, and a lot more to encourage the protection of wildlife.

COMPETITIVE ENTERPRISE INSTITUTE

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Health Care

Michael D. Tanner

Ending the CON Game

Last year's defeat of the Clinton health care plan was a major blow for the idea of central planning in health care. But the idea that government bureaucrats should manipulate the medical marketplace persists. Nowhere is that more apparent than in state Certificate-of-Need programs.

Certificate-of-Need (CON) is a program under which health care providers must obtain state regulatory approval before they can make capital expenditures or offer new services. CON was originally imposed on the states by Congress as part of the 1974 National Health Planning and Resources Development Act. That law required every state to adopt CON procedures or lose federal health funding. Eventually, every state except Louisiana complied. Congress realized the failure of CON and repealed the requirement in 1982. Since then, 12 states have repealed CON programs and 17 others have removed CON requirements for hospitals.

CON requirements erect barriers to market entry, thereby reducing competition among health care providers.

Certificate-of-Need is based on the dubious economic theory that increased supply and competition will increase prices. At one time, there might have been some justification for the idea. At the time CON was developed, federal Medicare and Medicaid reimbursement policies, traditionally a driving force behind health care price increases, were based on a "cost-plus" calculation, meaning that providers could recover their full costs—no matter how high. That virtually eliminated price-based competition from the medical marketplace. However, Medicare and Medicaid no longer reimburse on a "cost-plus" basis. Since 1983, the government has reimbursed on a fixed-price basis (the DRG system). In addition, other third-party payers have become increasingly sensitive to health care costs. As a result, price competition among providers has increased dramatically.

CON restrictions may ultimately lead to higher patient mortality.

Today, there is no evidence that CON reduces medical costs. In fact, there is considerable evidence that CON increases the cost of health care. It does so in three ways:

1) Administrative costs

The CON program itself imposes substantial costs on both health care providers and the government. Since its inception, federal and state governments have spent more than $1 billion administering the program. For providers, preparing and defending a CON application can be a time-consuming and expensive process. Needless to say, the extra cost is later passed along to consumers.

2) Lack of competition

CON requirements erect barriers to market entry, thereby reducing competition among health care providers. In effect, existing providers are granted a monopoly. Providers frequently attempt to use the CON process to obstruct would-be competitors. The impact of entry barriers is made even worse because the new provider seeking to enter the market is often more innovative and cost-effective than are established providers. Some health care economists estimate that CON barriers to market entry increase hospital costs by as much as 5 percent.

3) Shortages

Where CON requirements have produced a shortage of a particular health care service, prices for those services that are available are certain to rise. At the same time, consumers may be forced to shift to alternative services that are often more expensive. For example, a shortage of nursing home beds may lead to longer stays in acute care hospital facilities.

The Federal Trade Commission estimates that CON regulations increase the cost of hospital care nationwide by more than $1.3 billion annually.

Certificate-of-Need programs also reduce access to health care for those who need it most. In particular, public hospitals serving the inner-city poor often lack the legal and political resources necessary to compete for technology in a CON environment. There is even evidence that CON restrictions may ultimately lead to higher patient mortality.

It is time to realize that Soviet-style central planning is as big a failure in health care as in all other aspects of the economy. States should repeal their CON requirements.

CATO INSTITUTE

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Law

Clint Bolick

Lockstep Liberals: Clinton's Supreme Court Nominees Betray Centrist Pretensions

Most analyses of the Supreme Court's recently completed term have focused on the boldness and cohesiveness of the five-member conservative majority. Overlooked is a portentous trend: Bill Clinton's two appointees have so solidified the liberal wing that the Court is only one vote shy of a significant leftward lurch.

Justices Ruth Bader Ginsburg and Stephen Breyer voted together on the liberal side of virtually every major case: in the majority to strike down term limits and to uphold Endangered Species Act regulations; in dissent on racial gerrymandering, school desegregation, minority contract set-asides, and the use of student fees to support religious publications. On all of their dissents in contentious cases, a single vote separated Ginsburg and Breyer from majority status.

In non-unanimous cases, Ginsburg and Breyer voted together 77.1 percent of the time. Ginsburg also aligned with Justice John Paul Stevens, probably the other most liberal Court member, in 77.1 percent of the cases, while Breyer did so 64.6 percent of the time. By contrast, they each voted with conservative Justice Antonin Scalia a mere 43.8 percent of the time.

This down-the-line liberalism was not anticipated when Ginsburg and Breyer were nominated. According to *Legal Times*, as an appeals court judge Ginsburg voted most often with conservative colleagues Laurence Silberman and Kenneth Starr, and in fact sided twice as often on non-unanimous cases with Judge Robert Bork (75 percent agreement) than with liberal colleague Patricia Wald (38 percent).

> *The public's views are in line with a conservative Supreme Court that is hanging by the thread of a solitary appointment.*

Moreover, a review of Ginsburg's appeals court decisions suggested a judge who was more process- than results-oriented, in that her decisions could not be forecast in terms of the identity of the parties. But in civil rights cases, at least, neither has shown the slightest inclination to question liberal civil rights doctrines or to carve out a new direction.

In his first term Justice Breyer has confounded initial predictions even more pronouncedly. As a law professor and chief counsel to the Senate Judiciary Committee, Breyer was credited with laying the intellectual foundations for deregulation of the airline, trucking, and natural gas industries. Breyer's suggested skepticism toward government regulation led Ralph Nader and others to oppose his nomination.

Nader needn't have worried: To the dismay of many (including my organization) who supported him, Breyer consistently has sided with the government. Penning the principal dissent in *U.S. v. Lopez*, a 5-4 decision striking down the Gun-Free Schools Act, Breyer constructed a rationale for nearly unbounded federal power. The majority found that the possession of firearms near public schools was a local concern, and therefore outside Congress's power to regulate interstate commerce.

Breyer's deference to government power transcends the ideological divide: in filling the seat of Justice Harry Blackmun, Breyer seems so far to have replaced a civil libertarian with a big-government liberal. Breyer jumped liberal ranks to uphold government power to suppress client solicitations by lawyers and (with Ginsburg) to uphold random drug testing of student-athletes.

Ginsburg has made her liberal mark mainly in the civil rights area. She wrote dissenting opinions in all three major civil rights rulings this term. In each, she endorsed race-based government power to cure "lingering effects" of past racial discrimination, which in *Adarand Constructors, Inc. v. Peña* she nebulously defined as "[b]ias both conscious and unconscious, reflecting traditional and unexamined habits of thought," which "keeps up barriers that must come down if equal opportunity and nondiscrimination are ever genuinely to become this country's law and practice."

The Court's philosophically galvanized 1994-95 term underscores the importance of a single vote on the Court—and the imperative of thinking carefully about who should make the next appointment. Which, barring unforeseen circumstances, substantially raises the stakes for the 1996 presidential election.

Right now, I suspect the public generally likes what it's getting from this Supreme Court. The right to choose an abortion seems beyond danger (only three Justices would overturn *Roe v. Wade*). But other popular issues—term limits, tough dealings with criminals, limits on government's power to discriminate, and a restrained judiciary in general—are in line with a conservative Court that is hanging by the thread of a solitary appointment.

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IJ Institute for Justice

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Welfare Pays Better Than Work

by Michael Tanner

Nearly everyone agrees that a major goal of welfare reform should be to encourage recipients to leave the rolls and enter the workforce. That goal will be undermined, however, to the extent that recipients see work as less rewarding than welfare.

Some people believe that welfare recipients are lazy. Although that may be true for some, surveys consistently show that most recipients would rather work. Public assistance programs carry a lot of baggage even in the eyes of those they assist; they deprive recipients of a sense of self-worth and independence and they put nosy bureaucrats in place of caring parents, family, and friends. So if welfare recipients are not inherently lazy and don't really like being on the dole, why don't they just go to work?

The answer is, millions of people on welfare are making a perfectly rational decision based on the economic incentives they face. In many states, welfare benefits are far more generous than commonly thought and substantially exceed the amount a recipient could earn in an entry-level job.

In many states, welfare benefits are far more generous than commonly thought and substantially exceed the amount a recipient could earn in an entry-level job.

Defenders of current policies argue that average monthly benefits in the Aid to Families with Dependent Children (AFDC) program—about $400 nationally—are too low to be an attractive substitute for work. Today's social "safety net," however, includes far more than just AFDC. When we examine the benefit levels of just the six most common types of welfare assistance—AFDC, food stamps, Medicaid, housing, nutrition assistance, and energy assistance—we find that welfare can indeed pay very well.

To assess how welfare compares with finding a job and working forty hours a week, we must account for the fact that welfare benefits are not taxed, whereas wages are. That means we must calculate the amount of money a welfare recipient receiving these six benefits would have to earn in pre-tax income if that same person took a job and left the welfare rolls. The results are stunning: The value of benefits for a mother and two children ranged from a high of $36,400 in Hawaii to a low of $11,500 in Mississippi.

In 39 states, welfare pays more than an $8-an-hour job. In 16 states, the welfare package is more generous than a $10-an-hour job. In Hawaii, Alaska, Massachusetts, Connecticut, New York, New Jersey, and Rhode Island, welfare actually pays more than a $12-an-hour job—or 2-1/2 times the minimum wage.

In eight states, welfare pays more than the national average first-year salary for a teacher. In 28 states, welfare is more generous than the starting salary for a secretary. In 46 states, welfare recipients make more than full-time janitors.

The value of the six-benefit welfare package in Michigan, in terms of its pre-tax wage equivalent, is $19,700. That would require a job paying $9.47 per hour, ranking the state above the national average and 21st in generosity among the 50 states. Within the state, because of widely varying tax burdens, the disparity between what welfare pays and what a worker would have to earn in the private sector to end up with the same income after taxes can be even higher. In Detroit, where workers must pay a 3 percent city income tax on top of both federal and state income taxes, the disincentives for work are overwhelming for many welfare recipients.

Surveys have found that nearly 70 percent of welfare recipients are not currently looking for work. But if a typical inner-city welfare mother, untrained and undereducated, doesn't qualify for a job that pays $10 an hour, taking a job that pays any less and quitting welfare would result in a financial loss. So staying on welfare, in case after case, is the economically prudent decision to make.

True, not every welfare recipient receives all these benefits and there are some who receive even more. The inescapable fact is that for many recipients—particularly the "long-term" dependents—welfare pays considerably more than an entry-level job. That strongly suggests that micromanaging welfare programs with carrots like child care and sticks like work requirements will not end welfare as we know it. Only by biting the bullet and beginning to reduce benefits will we restore the incentives for work and independence that a broken and expensive welfare system have eroded.

• • • •

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Privatization

John O'Leary & William Eggers

The Different Facets of Privatization

The word "privatization" means different things in different contexts. In some cases, the word refers to competitive contracting; in some cases, it refers to public-private partnerships in the provision of infrastructure; and in some cases, it means transferring responsibility and resources from the public sector to the private sector. Taken together, the privatization movement is transforming American government at all levels.

The competition revolution

Many of the failures of government are rooted in its monopoly structure. Injecting competition into government services is unquestionably one of the most important political trends of the past decade.

Consider corrections. In 1985 there were only a handful of privately managed correctional facilities. According to Charles W. Thomas, director of the Private Corrections Project at the University of Florida at Gainesville, by the end of 1994 there were 88 secure private correction facilities in operation or under construction. And the Federal Bureau of Prisons recently announced that it would be turning to private management for four new facilities, marking a first for that agency.

In education, the idea that private firms could provide public education was unthinkable a decade ago. Today a private firm teaches reading in the public high schools of the District of Columbia. And in Massachusetts, several public charter schools are being run entirely by private organizations, including both for-profit and non-profit entities.

In everything from fleet management to tree trimming, from ambulance services to road repair, public officials are finding that competitive contracting provides quality services for fewer tax dollars.

As evidence mounts on the effectiveness of this approach, the trend toward competition will be difficult to reverse.

> *The privatization movement is transforming American government at all levels.*

Privatizing infrastructure

In many ways, America lags behind the rest of the world in privatizing infrastructure. But 1995 gave indications that the United States may be catching up.

- Privately financed and built toll roads—the first in the United States in decades—are nearing completion in Virginia and California.
- The sale of the Franklin, Ohio wastewater treatment facility—finalized in 1995—represented the first successful asset transfer under former President George Bush's Executive Order 12803. Wilmington, Delaware also sold its wastewater facility to a private firm (the sale awaits federal approval).
- Indianapolis finalized the first major privatization of a large U.S. airport, contracting with a private firm to manage and improve that city's airport—and saving a projected $140 million over the ten-year life of the contract.

Shifting from public to private

If you had $100 and wanted to help the homeless, would you even consider mailing your money to HUD? Of course not. You'd find a local, private charity that would put the money to good use. So why not shift the resources now dedicated to alleviating poverty from the ineffective government sector to the private sector?

As yet, the privatization of government's enormous social service sector has not progressed very far. But as the evidence mounts on the ineffectiveness of public aid, we may soon see such a shift to the private sector.

We need to reduce the government's role in fighting poverty, not because the goal is not noble but because government programs are ill-suited for problems of behavior and attitude. Government programs are constrained by the laws, rules, and regulations by which they are carried out, and government programs often end up harming those they are intended to help. Only the third pillar of society—families, friends, associations, charities, and the like—can provide the kind of support that can effectively deal with people's non-material needs.

One idea is to allow Americans to take a charitable tax credit for donations given to community groups that are involved in fighting poverty. That would allow people to send some of their tax dollars to charities instead of to the government. (See the May/June 1995 issue of *IA*. —Ed.) Another possibility is the use of vouchers for those with certain kinds of disabilities.

Social service is just one area where privatization is likely to increase in the future. The arts and humanities, higher education, and recreational activities—including the construction of sports stadiums—are other areas in which private, voluntary arrangements are often preferable to government involvement.

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Taxes

Stephen Gold

Top Income Earners Continue to Pay More in U.S. Income Taxes

According to preliminary data released by the Internal Revenue Service, the top 5 percent of U.S. income earners paid almost half the federal individual income taxes—47.3 percent—in 1993 (the latest year for which such data are available). In 1983 that group paid just 37.3 percent of federal individual income taxes. "Americans at the upper end of the income scale are continuing to see their portion of the total federal individual income tax burden steadily increase," observes Tax Foundation economist Patrick Fleenor.

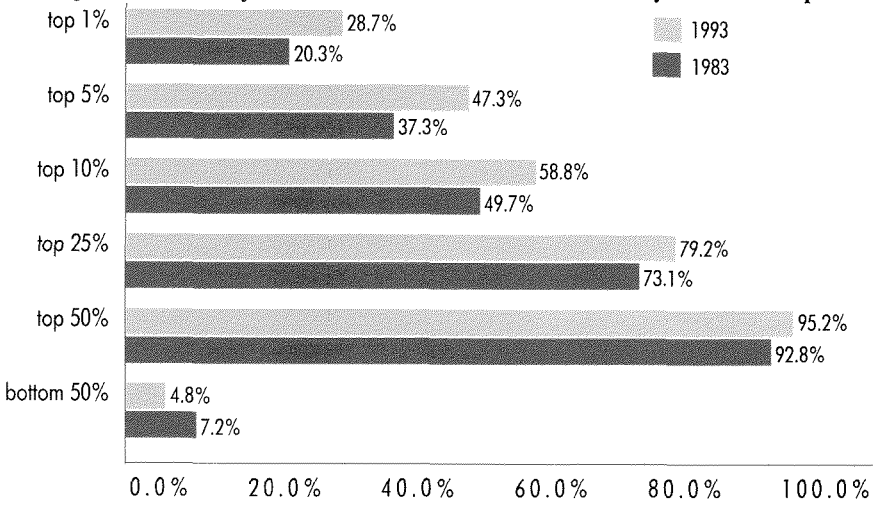
As Figure 1 shows, the top 1 percent of U.S. income earners—those earning over $185,791 a year—paid 28.7 percent of federal individual income taxes in 1993, up from 20.3 percent a decade ago. Meanwhile, the top 50 percent of income earners now pay about 95 percent of those taxes, up from slightly less than 93 percent in 1983.

Figure 2 contrasts income shares (that is, adjusted gross income) and tax shares for different income groups. While high-income earners claim a large share of the nation's total income, they pay an even greater share of the total federal individual income tax burden. For example, the top 10 percent of earners (those making above $66,196) earned 39.1 percent of all income but paid 58.8 percent of all federal individual income taxes.

The bottom 50 percent (those making less than $21,158) earned 14.9 percent of all income but paid only 4.8 percent of personal income taxes at the federal level.

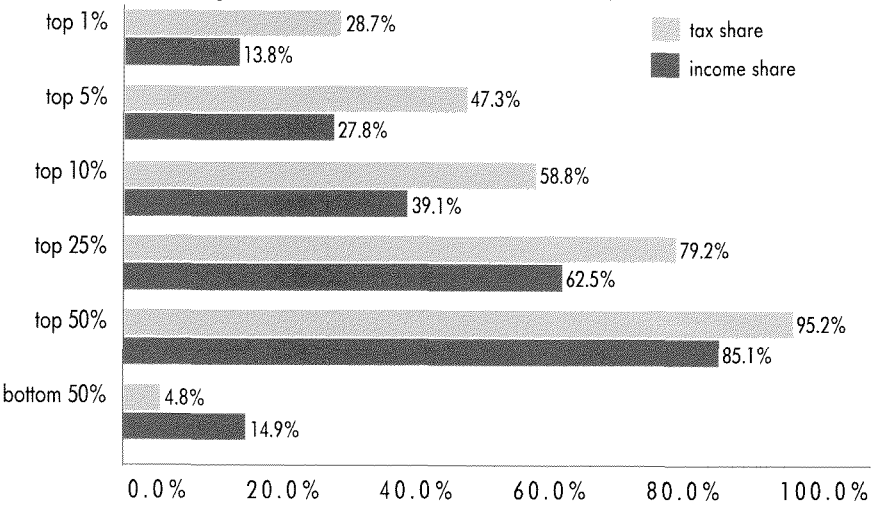
From 1983 to 1993, the adjusted gross income for all taxpayers rose 92 percent, while overall federal income taxes rose 84 percent. By contrast, federal social insurance payroll taxes rose faster than incomes over the same period, increasing by 105 percent.

Figure 1: Percent of Federal Individual Income Taxes Paid by Income Group



Internal Revenue Service, 1993

Figure 2: Income Share versus Tax Share, 1993



Internal Revenue Service, 1993

TAX FOUNDATION

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Welfare

Rector & James Hirni

Marriage Rate Plummets, Illegitimacy Rate Soars

The growth in illegitimacy is a predominant factor contributing to many social problems. For example, young boys raised in single-parent families are nearly four times more likely to engage in criminal activities and end up in jail than are boys residing in homes with both biological parents.

Studies show a tight link between the welfare system and rising illegitimacy rates. For example, research by the director of the Congressional Budget Office, Dr. June O'Neill, shows that a 50 percent increase in the monthly value of AFDC and food-stamp benefits leads to a 43 percent increase in the number of out-of-wedlock births.

According to the most recent data released by the Center for Health Statistics at the U.S. Department of Health and Human Services (HHS), illegitimacy continues to rise rapidly while marriage continues to decline across the U.S.

According to the recently released HHS data, out-of-wedlock births represented 31 percent of all births in the U.S. in 1993—up from 30.1 percent just a year earlier. That rapid increase in illegitimacy of nearly one percentage point in a single year follows the pattern of increasing illegitimacy that has occurred since the beginning of the War on Poverty in 1965. In that year, 7.7 percent of children were born out-of-wedlock. By 1993 the number had risen fourfold.

The percentage of out-of-wedlock births is increasing rapidly for both whites and blacks. Among whites in 1993, 23.6 percent of births took place out of wedlock, up from 11 percent in 1980. Among blacks, 68.7 percent of births were out of wedlock in 1993, up from 58 percent in 1980.

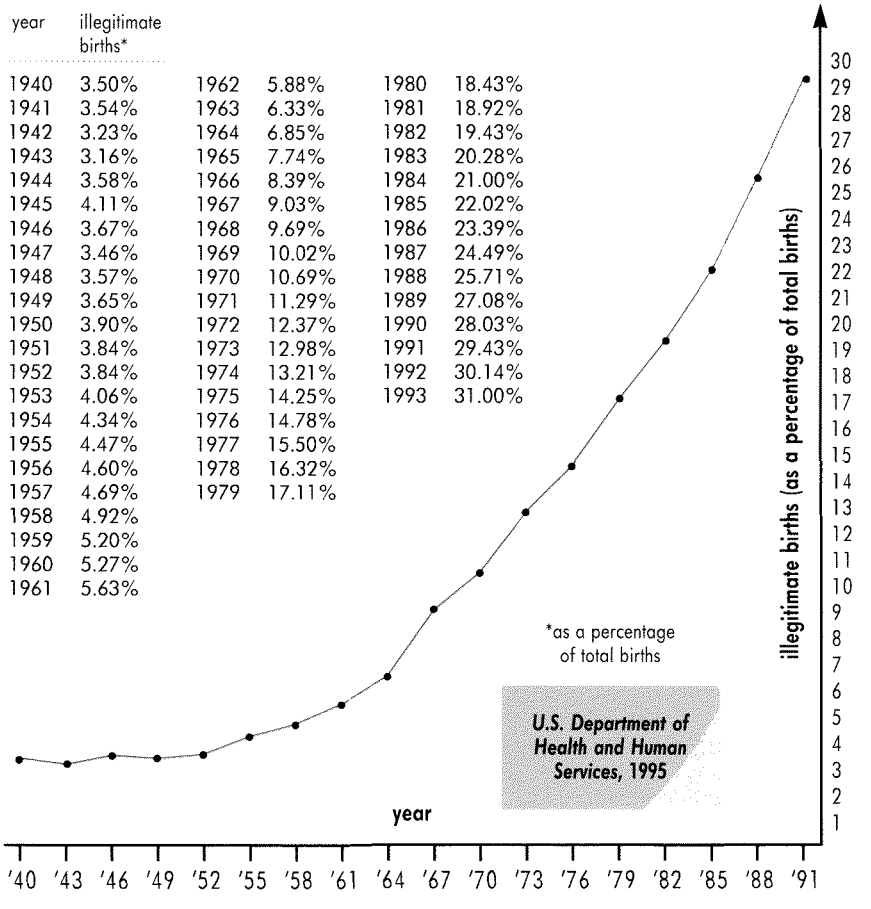
Reflecting the general erosion of marriage in U.S. society, the HHS data also show that the absolute number of children born within marriage fell in the last reported year. In 1992, 2.84 million children were born to married couples; by 1993 the number had declined to 2.76 million.

By contrast, the number of children born out of wedlock rose from 1.22 million in 1992 to 1.24 million in 1993. The increase in illegitimate births reflects both an increase in the number of women who are not married as well as an increase in fertility among unmarried women.

The HHS data show that the fertility rate (births per 1,000 women of childbearing age) has fallen for American women in general over the past two decades. But the fertility rate for unmarried women has risen sharply during the same period. In fact, the fertility rate for unmarried women has nearly doubled in the last quarter-century, rising from 26.4 births per 1,000 unmarried women (ages 15 to 44) in 1970 to 45.3 births per 1,000 unmarried women (ages 15 to 44) in 1993.

U.S. Out-of-Wedlock Births

year	illegitimate births*				
1940	3.50%	1962	5.88%	1980	18.43%
1941	3.54%	1963	6.33%	1981	18.92%
1942	3.23%	1964	6.85%	1982	19.43%
1943	3.16%	1965	7.74%	1983	20.28%
1944	3.58%	1966	8.39%	1984	21.00%
1945	4.11%	1967	9.03%	1985	22.02%
1946	3.67%	1968	9.69%	1986	23.39%
1947	3.46%	1969	10.02%	1987	24.49%
1948	3.57%	1970	10.69%	1988	25.71%
1949	3.65%	1971	11.29%	1989	27.08%
1950	3.90%	1972	12.37%	1990	28.03%
1951	3.84%	1973	12.98%	1991	29.43%
1952	3.84%	1974	13.21%	1992	30.14%
1953	4.06%	1975	14.25%	1993	31.00%
1954	4.34%	1976	14.78%		
1955	4.47%	1977	15.50%		
1956	4.60%	1978	16.32%		
1957	4.69%	1979	17.11%		
1958	4.92%				
1959	5.20%				
1960	5.27%				
1961	5.63%				



The Heritage Foundation

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RESEARCH REPORT

Summaries of Research on State and Local Public Policy

AGRICULTURE • BUDGET
CIVIL RIGHTS • CRIME • ECONOMY
EDUCATION • ENVIRONMENT • FAMILY
GOVERNING • HEALTH CARE
HOUSING • LABOR • PHILANTHROPY
PRIVATIZATION • REGULATION • TAXES
TRANSPORTATION • WELFARE
OTHER TOPICS

agriculture

Contract with Rural America. Two agricultural policy experts call for regulatory and tax relief and expanded trade opportunities that would increase annual farm income by $65 billion. Their 11-plank proposal would remove unfair taxation, ease regulatory burdens, create new markets, and fund research. The proposal, the authors write, would do "more to encourage American agriculture than any recent farm bill." Dennis T. Avery and Dave Juday, "A Contract with Rural America," *Briefing Paper*, October 1995, Hudson Institute.

PolicyFax #0400406

Do farmers need subsidies? "Today's farm subsidies represent a kind of time capsule—a rare bit of socialist orthodoxy that has survived within the federal government virtually unaltered since the heyday of the New Deal," writes Karl Zinsmeister. But what do unsubsidized farmers think about agricultural producers who receive large government subsidies? "Put 'em on the street," says Delaware farmer Charles West. "Can Americans Farm without Subsidies?" *The American Enterprise*, July/August 1995, pp. 43-48.

PolicyFax #0400409

budget

Feeding at the trough. A new paper from the Cato Institute analyzes the political maneuvers of the Archer Daniels Midland Corporation, one of America's most notorious recipients of government handouts. "Congress's expressed desire to foster a free marketplace," writes James Bovard, "cannot be taken seriously until ADM's corporate hand is removed from the federal till." For example, every $1 of profits earned by ADM's corn sweetener operation costs consumers $10, and every $1 of profits earned by its ethanol operation costs taxpayers $30. James Bovard, "Archer Daniels Midland: A Case Study in Corporate Welfare," *Policy Analysis*, September 26, 1995, Cato Institute.

PolicyFax #8077301

Following Chile's lead. Privatization might represent Social Security's best hope. Those who doubt privatization can work need only look at Chile, which privatized its pension system in 1981. Since then, Chilean pensions are 40 to 50 percent higher than those paid under the old system; unemployment is—thanks to low payroll taxes—less than 5 percent; Chile's savings rate is 26 percent of GNP; and it has enjoyed 7 percent growth over the last ten years. And perhaps most importantly, "by taking politicians out of the social security business we have done them a great favor because they can now focus on what they should do: stop crime, run a good justice system, manage foreign affairs—the real duties of a government." Jose Pinera, "The Success of Chile's Privatized Social Security," *Cato Policy Report*, July/August 1995, pp. 1, 10-11. Cato Institute.

PolicyFax #8036111

civil rights

Choosing by color. *Did you know* that the University of California School of Law offered admission to 61 percent of black applicants having GPAs between 2.75 and 2.99—a B-minus average—and LSAT percentile scores between 70 and 74.9? None of the 12 white or 11 Asian applicants in that range were offered admission. The University of California system has two very different standards for admission: one for "underrepresented minorities" and another for whites and Asians. Michael Lynch, "Choosing by Color: Affirmative Action at the University of California," *Briefings*, September 7, 1995, The Claremont Institute.

PolicyFax #1200412

How about income-based preferences? Some have proposed replacing race-based preferences with income-based preferences. Two scholars, Manhattan Institute senior fellow Abigail Thernstrom and Institute for Justice vice president (and frequent *IA* contributor) Clint Bolick, assess the merits of such a proposal. Thernstrom calls it an "appealing but misguided idea" because it "rests on a distorted picture of American society—one that sees not social fluidity but rigid castes." Bolick, on the other hand, believes that such an approach would empower those who face "vastly unequal opportunities" in our society. "Clint Bolick and Abigail Thernstom Have Two Views," *The American Enterprise*, pp. 19-20, July/August 1995.

PolicyFax #1200413

crime

More than meets the eye. *Did you know* that between 1973 and 1992, the rate of gun ownership in the U.S. increased by 45 percent, as the homicide rate fell by nearly 10 percent? "Firearms are nowhere near the root of the problem of violence and arguably are almost completely divorced from it. As long as people come in unlike sizes, shapes, ages, and temperament; as long as they diverge in their taste for risk and their willingness and capacity to prey on other people or to defend themselves from predation; and, above all, as long as some people have little or nothing to lose by spending their lives in crime, dispositions to violence will persist—and increasingly strict gun controls will do little if anything to improve matters." Daniel D. Polsby and Dennis Brennen, "Taking Aim at Gun Control," *Heartland Policy Study*, October 30, 1995, The Heartland Institute.

PolicyFax #1328301

More than one-third of all murders are committed by offenders under the age of 21. ***Policy Review*, Winter 1995.**

Riot control. Organized citizen police forces may be the best defense against riots. "Like a modern equivalent of the militia envisioned by the American founders," write law professors

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David D. Haddock and Daniel D. Polsby, "ordinary citizens bear the ultimate responsibility for the security of the communities in which they live." By expanding the emergency role of reserve police officers, riots can be squelched quickly and quietly. David D. Haddock and Daniel D. Polsby, "Controlling Riots: A Sensible Role for a Well-Regulated Militia?" *Brief Analysis*, September 28, 1995, National Center for Policy Analysis.

PolicyFax #1328108

economic development

Alternatives to public funds. Ohio is out of step with other states and cities, which have moved away from public financing, and toward private financing, of sports stadiums. Miami, Boston, Minneapolis, St. Louis, and Milwaukee all have built facilities with minimal public funds. If significant private financing is not available, taxpayers and policymakers should take that as a sign that the sports facility is not a good investment. David Swindell, "Sports Stadiums Can Be Privately Financed," *Perspective*, September 8, 1995, The Buckeye Institute for Public Policy Solutions.

PolicyFax #1976108

economy

Killing consumers with compassion. The week of October 22 to 28 is National Consumers Week, so designated by the U.S. Office of Consumer Affairs. But since "the power of consumers is a permanent and natural part of the economic order," argues Joseph L. Bast, "who needs the government to set aside one week each year devoted to consumers? Not consumers, since they benefit from free markets all year round. The true beneficiaries are the government agencies and consumers organizations that are singled out for attention and praise." Joseph L. Bast, "Killing Consumers with Compassion," *Perspective*, October 13, 1995, The Heartland Institute.

PolicyFax #7200110

Living Standards Are Rising

Indicator	1970	1990
Average size of a new home (square feet)	1,500	2,080
New homes with central air conditioning	34%	76%
People using computers	<100,000	75.9 million
Households with color TV	33.9%	96.1%
Households with cable TV	4 million	55 million
Households with two or more vehicles	29.3%	54%
Median household net worth (real)	$24,217	$48,887
Housing units lacking complete plumbing	6.9%	1.1%
Homes lacking a telephone	13%	5.2%
Households owning a microwave oven	<1%	78.8%
Heart transplant procedures	<10	2,125*
Average work week	37.1 hours	34.5 hours
Average daily time working in the home	3.9 hours	3.5 hours
Work time to buy gas for 100-mile trip	49 minutes	31 minutes*
Annual paid vacation and paid holidays	15.5 days	22.5 days
Women in the work force	31.5%	56.6%
Recreational boats owned	8.8 million	16 million
Manufacturers' shipments of RVs	30,300	226,500
Adult softball teams	29,000	188,000
Recreational golfers	11.2 million	27.8 million
Attendance at symphonies and orchestras	12.7 million	43.6 million
Americans taking cruises	0.5 million	3.6 million
Americans finishing high school	51.9%	77.7%
Americans finishing four years of college	13.5%	24.4%
Life expectancy at birth (years)	70.8	75.4
Death rate by natural causes (per 100,000)	714.3	520.2
Accidental death rate (per 100,000)	56.2	34.9
Index of pollution	100.0	34.1

Reason, *December 1995* *figures are for 1991

More than meets the eye. The press and pundits alike tell us that American living standards are falling, and that today's children are likely to become the first generation that won't live as well as its parents. Such views are either misleading or wrong. "There are problems in these United States," write W. Michael Cox and Richard Alm, "but the conclusion that we're not living as well as we once did is pure mythology." More Americans today have access to amenities that just twenty years ago were beyond the reach of most people (see chart above). W. Michael Cox and Richard Alm, "The Good Old Days Are Now," *Reason*, December 1995, pp. 20-27.

PolicyFax #2000403

education

A way to reach "at risk" students. Georgia's public schools, like those of so many states, are failing to provide "at risk" students with the tools they need to find and hold a job. A good model for those schools to follow is the Louisville, Kentucky school district, which has pioneered a two-year apprenticeship program for high school students. The program ensures that students develop basic skills in any of a number of key industries—including computer technology, health care, hospitality trades, technical automotive trades, and more. John S. Sherman, "Moving Georgia's Inner City Children from School to Work," *Issue Analysis*, September 1995, Georgia Public Policy Foundation.

PolicyFax #2172405

A bad investment for taxpayers. "Rather than allow the Clinton Administration to make a bad situation worse by nationalizing the student loan industry, Congress should take steps that will protect taxpayers and increase opportunities for those who wish to pursue a post-secondary education. In the short term, Congress should put an end to direct lending. In the long term, Congress should pursue market-based solutions that make higher education affordable, such as passing legislation that would enable students to contract with private investors to finance their education." Michael F. Cannon, "Direct Student Loans: Putting Taxpayers at Risk," *Issues and Answers*, November 3, 1995, Citizens for a Sound Economy.

PolicyFax #2132401

According to the Department of Education, the average kindergarten student has seen more than five thousand hours of television. The Department of Education also reports that 44 percent of Americans do not read even one book per year. ***Report Card*, September/October 1995.**

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Experts respond to a Harvard study. A recent book titled *School Choice: The Cultural Logic of Families* contains research from nine different reports on school choice and includes an introduction and conclusion by three Harvard professors. The Boston-based Pioneer Institute has assembled responses by nine education policy experts who argue that the book's critique of school choice is misguided. "Responses to a Harvard Study on School Choice: Is It a Study at All?" *Dialogue*, November 1995, Pioneer Institute for Public Policy Research.

PolicyFax #2184411

Failing America's Students. Since 1980 the Department of Education has spent more than $350 billion, yet academic performance has remained at a dismal level. "After 15 years, it is time to assess the results of this federal experiment in education." *Myth:* The Department of Education has ensured high levels of competency in the core subject areas. *Fact:* On the 1991 Department-sponsored International Assessment of Education Progress, a test used to survey mathematics and science abilities of 13-year-old students in twenty countries, U.S. students scored below 12 other countries in both math and science achievement. Avril Allen et al., "Failing America's Students: The U.S. Department of Education," *Issues Analysis*, November 3, 1995, Citizens for a Sound Economy.

PolicyFax #2100101

Atlanta's public schools are failing. Its high school noncompletion rate has risen to an alarming 53 percent, while its average SAT scores of 363 verbal and 397 math are among the lowest in the nation. **Georgia Public Policy Foundation, September 1995.**

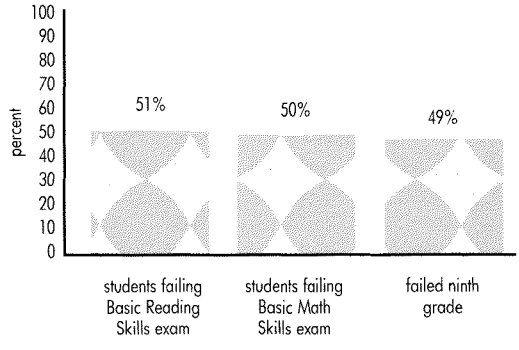
Miracle cure or plague? Dr. Bruno V. Manno, senior fellow at the Hudson Institute and former U.S. Assistant Secretary of Education for Policy and Planning, examines the myths and realities of Outcome-Based Education (OBE). "Is OBE a promising cure to what ails public education? Or is it another disease spread by education bureaucrats through an already ailing system known for succumbing to one fad after another?" Dr. Bruno V. Manno, "Outcome-Based Education: Miracle Cure or Plague," *Report*, September 1995, Mackinac Center for Public Policy and Hudson Institute.

PolicyFax #2113402

The limitations of charter schools. "Though I have never worked with a more dedicated group of well-intentioned people, I have become skeptical that charter schools can bring systemic change to public education," writes a social studies and economics teacher at a Colorado public school. "While I do not claim the ability to predict the outcome of any particular charter school, I now realize that at best only marginal change within public education is possible through charter schools." Candace A. Allen, "A Report Card on Charter Schools," *The Freeman*, October 1995, pp. 640-644.

PolicyFax #2111101

Case Study: The Philadelphia School System



Center for Educational Reform, June 1995

The real cost of public education. Only about 75 percent of American students entering high school graduate, and many who do are functionally illiterate. It is estimated that 20 percent of Americans cannot write a letter or read a newspaper. After more than a century of compulsory public education in America, it is time for a completely new approach. Parents should be free to choose whatever school—including no school—they wish their children to attend. Rolf McEwen, "Public Education: How Free?" *The Education Liberator*, November 1995, Separation of School and State Alliance.

PolicyFax #2166102

The Educational Freedom Amendment. A newly proposed amendment to the California Constitution seeks to implement a statewide educational choice program: "The people of this state, in recognition of their right to promote the general welfare, to secure the blessings of liberty to themselves and their posterity, and to pursue and obtain happiness, find that parents and not the State have the right to choose the appropriate educational setting for their children whether that setting is a private school or a public school. Therefore, those parents who choose not to send their children to schools operated or owned by the State or any of its subdivisions or agencies are eligible to receive a scholarship and may choose to use that scholarship for the education of their children at a scholarship-redeeming private school. . . ."—actual text from the Amendment. Contact the Educational Freedom Institute, P.O. Box 611660, San Jose, CA 95161-1660, 408/241-8417.

PolicyFax #2184604

Spending more but learning less. A 1994 study by the U.S. Department of Education determined that only 41 percent of the school day is devoted to core academic subjects. As school spending soars, academic performance continues to plummet. This new study by the Independence Institute recommends a number of reforms—such as implementing better accounting procedures, allowing schools to do their own hiring, and creating charter schools and other choice programs—that would reestablish our schools as places where children, first and foremost, learn. Dwight Williams, "How Much More Do We Have to Spend to Achieve a Totally Illiterate Society?" *Independence Issue Paper*, October 24, 1995, Independence Institute.

PolicyFax #2176404

environment

Energy Choices in a Competitive Era. A detailed examination of the technologies, costs, and environmental impacts of solar, wind, geothermal, and other renewable fuels. "On the whole, renewable energy technologies have demonstrated a limited commercial ability to produce electricity, some with environmental impacts that balance positively against waste disposal alternatives. . . . In most cases, the lower costs of traditional generating technologies have outpaced the gains made by renewables, and some sectors of the renewables indus-

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try face contraction rather than expansion." Resource Data International, "Energy Choices in a Competitive Era: The Role of Renewable and Traditional Energy Resources in America's Electric Generation Mix," April 1995. Contact the Center for Energy and Economic Development, 1800 Diagonal Road #370, Alexandria, VA 22314, 703/684-6292.

PolicyFax #2322302

Just say no to flow control. Flow control—laws that allow local governments to mandate that a jurisdiction's solid waste be dumped only at government-designated facilities—is bad for business, consumers, and the environment. A study by National Economic Research Associates found that flow control raised disposal costs by an average of 40 percent. Meanwhile, only 19 percent of flow-controlled facilities sort waste for recycling. Michael Harrold, "Let it Flow: Why Congress Should Not Authorize Trash Monopolies," *Capitol Comment*, October 5, 1995, Citizens for a Sound Economy.

PolicyFax #2377114

Making money from forests. A new study from PERC provides two case studies showing how a state and a county generate profits and better environmental outcomes than do their federal counterparts. The lesson, according to author Donald R. Leal, is that "the state and county have an overriding requirement to generate income . . . [whereas] national forests have no bottom line, and without it, the Forest Service lacks an objective measure from which to assess its performance." Donald R. Leal, "Turning a Profit on Public Forests," *PERC Policy Series* No. PS-4, September 1995, PERC.

PolicyFax #2316403

Reining in the Endangered Species Act. "The best way to ensure a proper balancing of costs and benefits in species protection would be to require the federal government to compensate landowners whose property it devalues through the ESA's land use restrictions. . . . [That] would force regulators to consider the technical practicability of recovering a species, the species' biological and aesthetic significance, and other costs and benefits of saving the species." Thomas Lambert, "The Endangered Species Act: A Train Wreck Ahead," *Policy Brief*, August 1995, Center for the Study of American Business.

PolicyFax #2321403

Not really overpopulated. Overpopulation is not the threat environmentalists claim it is. China is a classic case of an "overpopulated" country, yet its population density is much less than that of Maryland. In this monograph published by the Fraser Institute, writer Jim Peron addresses the myths and realities behind population issues. Jim Peron, "Exploding Population Myths," *Fraser Forum*, 1995, The Fraser Institute.

PolicyFax #2365301

family

Adopting racism. As many as 43 states still have laws that permit the use of race by state agencies in adoption decisions. Three states—Arkansas, California, and Minnesota—go so far as to require race to be a consideration. "As the country moves to eliminate the color line from public policy, color-conscious adoption policies, particularly pernicious because of their innocent and helpless targets, ought to be the first to go." Nina Shokraii, "Adopting Racism," *Reason*, November 1995, pp. 50-51.

PolicyFax #2400113

Almost half of unwed teenage mothers go on welfare within one year of their baby's birth. By the time their first child is five years old, 72 percent of white teens and 84 percent of black teens have received Aid to Families with Dependent Children (AFDC). **Jayne Garrison, "Seminar Summary: Sexuality, Poverty, and the Inner City" (Menlo Park, CA: Henry J. Kaiser Family Foundation, 1994).**

Families and citizens. Dr. Jean Bethke-Elshtain of the University of Chicago addresses the importance of families to a well-functioning democracy. "What is at stake in the family debate and our response to it is nothing less than our capacity for human sociality," she writes. This discussion, sponsored by the Center of the American Experiment, also features remarks by former congressmen Tim Penny and Vin Weber. Jean Bethke-Elshtain, "Families and Citizens," July 1995, Center of the American Experiment.

PolicyFax #2400406

Thirty years of "family values." A new paper by Mitchell Pearlstein, president of the Center of the American Experiment, surveys thirty years of discussion about the critical role of families in a properly functioning society. Pearlstein pays close attention to the key figures, publications, and events in a thirty-year national dialogue. The paper discusses Daniel Patrick Moynihan's 1965 study, *The Negro Family: The Case for National Action*; Charles Murray's seminal book, *Losing Ground*; and Dan Quayle's infamous 1992 "Murphy Brown" speech—as well as several other important influences. Mitchell B. Pearlstein, "From Moynihan to 'My Goodness,'" August 1995, Center of the American Experiment.

PolicyFax #2400407

governing

Closing Commerce. Congress's budget for fiscal year 1996 calls for the elimination of the U.S. Department of Commerce—a great idea in theory, but daunting in practice. The Heritage Foundation has prepared this blueprint for accomplishing that goal by terminating obsolete and outmoded programs, privatizing or ending commercial activities, and transferring a few essential programs to other agencies of government. Joe Cobb, "How to Close Down the Department of Commerce," *Backgrounder*, August 21, 1995, The Heritage Foundation.

PolicyFax #0800409

Governor Weld on cutting government. On August 3, 1995, Massachusetts governor William Weld delivered an address to a forum convened by the Boston-based Pioneer Institute. Weld's remarks focused on the need to restrict state government to three essential functions: 1) it should protect people from being injured by other people or by physical disasters; 2) it ought to protect those who are otherwise helpless—not those who do not want to work, but those who cannot; and 3) it ought to take care of assets held in common such as parks, rivers, roads, and bridges. William Weld, "Cutting State Government Down to Size," *Dialogue*, August 1995, Pioneer Institute for Public Policy Research.

PolicyFax #2800203

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Not quite a reinvention. Republicans vowed to truly reinvent government by eliminating outmoded and obsolete programs, consolidating programs that duplicate others, ending "corporate welfare," and transferring a number of programs to state and local governments. But Congress has fallen far short of its rhetoric; already this year the House has approved $348.5 million for the Economic Development Administration, $278 million for the Legal Services Corporation, $638,000 for research on potatoes, $2 million for a planning study for the Indianapolis Central Waterfront, $200,000 for the Rhinoceros and Tiger Conservation Fund, and $590 million for the Small Business Administration . . . to name just a few examples. Scott A. Hodge and John Barry, "The 10 Percent 'Revolution': House Spending Bills Fall Short of Overhauling Government," *Backgrounder*, September 14, 1995, The Heritage Foundation.

PolicyFax #2800412

***Really* reinventing government.** The Clinton Administration's attempts to reinvent the federal government will fall well short of its goals and may even make federal management worse. A real reinvention of government would include devolving power to the states, defining agency missions, privatizing government functions, rationalizing policies for hiring and providing raises, and more. "It cannot be completed overnight, but true reform must begin now. A people demanding smaller and more cost-effective government can accept no less." Donald J. Devine, "Making Government Work: How Congress Can Really Reinvent Government," *Backgrounder*, August 24, 1995, The Heritage Foundation.

PolicyFax #2800413

Waste, fraud, and abuse? Oh, please! Would-be government "reinventors" claim that government can be revolutionized simply by eliminating "waste, fraud, and abuse." But as is usually the case, matters aren't so simple. As there is no Department of Waste, Fraud, and Abuse that simply can be defunded, "honest dealing with the public requires open acknowledgment that there is no 'soft landing' from the dislocations that structural reform and downsizing of the federal government will cause. Congress should honor its management responsibilities by restricting the federal government to jobs that it must perform and that no one else can do." Michael J. Horowitz, "Fraud, Waste, and Abuse in the Assault on Fraud, Waste, and Abuse," *Hudson Briefing Paper*, December 1995, Hudson Institute.

PolicyFax #2800401

Microcosm of the Movement. "Municipal term limits are the least documented, yet most prevalent component of the term limit movement. Dating back to at least 1851, local limits have spread steadily across the country, passing by an average of 70 percent of the vote, even higher than national averages for congressional and state legislative limits. Though term limit opponents have characterized the movement as a fad, municipal limits demonstrate the longevity of the concept." Danielle Fagre, "Microcosm of the Movement: Local Term Limits in the United States," *Term Limits Outlook Series*, August 1995, U.S. Term Limits Foundation.

PolicyFax #2880404

Political unreform. "Efforts to limit political contributions and spending are extremely popular. Yet there is no serious evidence that campaign finance regulation has achieved or will achieve its goals of reducing the influence of money, opening up the political system, and lowering the cost of campaigns," writes law professor Bradley A. Smith. In fact, the 1974 amendments to the Federal Election Campaign Act—the first effort to establish a comprehensive, national system of campaign finance regulation—led to sharp *increases* in political spending. Bradley A. Smith, "Campaign Finance Regulation: Faulty Assumptions and Undemocratic Consequences," *Policy Analysis*, September 13, 1995, Cato Institute.

PolicyFax #2814301

Too much government, or not enough? Is the government trying to do too much, too often, for too many? Two prominent observers disagree. Thomas J. DiLorenzo, professor of economics at Baltimore's Loyola College, argues that "Americans are being strangled to death economically by the federal government and 87,000 state and local governmental units." But Victor Kamber, Democratic consultant and president of the Kamber Group, points out that most Americans are enthusiastic about budget cuts only as long as *their* benefits remain untouched. Thomas DiLorenzo and Victor Kamber, "Q: Is the government trying to do too much, too often, for too many?" *Insight on the News*, December 4, 1995, pp. 18-21.

PolicyFax #2800119

Governor Engler speaks. On September 26, 1995 Michigan governor John Engler delivered The Heritage Foundation's first Russell Kirk Memorial Lecture. Addressing the issue of federalism, and particularly welfare reform, Engler praises Washington for "beginning the process of relinquishing power and returning it to the fifty states. Getting Washington out of the way is the crucial first step in the long process of returning authority and responsibility to where they ultimately belong—to the little platoons of civil society, our families and neighborhoods, churches and charitable organizations." The Hon. John Engler, "First Principles in the Public Arena," *The Heritage Lectures*, September 26, 1995, The Heritage Foundation.

PolicyFax #2800204

health care

The Heritage Foundation reports that six organizations receiving nearly $80 million in federal funding between July 1993 and June 1994 have been actively involved in the effort to defeat Republican Medicare reform proposals. Those organizations (and the amount of taxpayer funding they receive) include the AFL-CIO ($2,038,000), Families USA ($250,000), Service Employees International Union ($137,000), Save Our Security ($100,000), the American Association of Retired Persons ($76,000,000), and the American Federation of State, County, and Municipal Employees ($148,000). **The Heritage Foundation, "The Summer MediScare Campaign," August 1995.**

A model for Medicare? While Congress wrestles with the problem of fixing the nearly bankrupt Medicare program, it needn't look far to find a viable alternative. Members of Congress—as well as millions of federal workers, retirees, and their dependents—belong to the Federal Employees Health Benefits Program (FEHBP), which enables members to choose from almost four hundred private health plans competing nationwide. FEHBP also successfully controls health care costs: in 1996 participants are expected to face either insignificant premium increases or no increas-

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es at all. Robert E. Moffit, "FEHBP Controls Costs Again: More Lessons for Medicare Reformers," *F.Y.I.*, September 25, 1995, The Heritage Foundation.

PolicyFax #3228141

Fixing Medicare. The Congressional Budget Office projects that Medicare spending will more than double by the year 2000. Medical Savings Accounts represent our best hope for controlling Medicare spending. "The key to controlling the cost of Medicare is to subtly shift its emphasis. People must be free to choose health care rather than forced to use what Medicare determines is 'free.' Reforming Medicare to help fund Medical Savings Accounts and catastrophic insurance is one way to provide such a choice." Gary Robbins and Aldona Robbins, "Reforming Medicare with Medical Savings Accounts," *Policy Report* No. 195, July 1995, National Center for Policy Analysis.

The ABCs of Medicare. Medicare is on the verge of bankruptcy. "Without significant program changes, the taxes working families will have to pay in coming years—just to sustain Medicare benefits at current levels—will be enormous." *Q: How do Medicare's costs compare with those of the private sector?* A: In the private sector, large employer health premiums in 1995 dropped by 1.1 percent while overall health care prices rose 4.4 percent. Medicare, meanwhile, experienced more than 10 percent overall growth and is projected to grow at the same rate for the next five years. John Liu and Robert E. Moffit, "A Taxpayer's Guide to the Medicare Crisis," *Heritage Talking Points*, September 27, 1995, The Heritage Foundation.

PolicyFax #3228305

Problem solved? Medicare is in trouble. Unless Congress takes dramatic action, the future of Medicare will mean higher payroll taxes, higher premiums paid by the elderly, and a higher federal deficit. Congress, however, can meet its goal of eliminating $270 billion from projected Medicare spending—without any loss of health coverage or additional costs for the elderly. Medical Savings Accounts provide a painless solution to our Medicare crisis. "Saving the Medicare System with Medical Savings Accounts," *Policy Report*, September 1995, National Center for Policy Analysis.

PolicyFax #3253407

Don't forget Medicaid reform. As the nation debates the future of Medicare, Medicaid too is a program in need of reform. "If significant reforms are not enacted," writes Heritage senior fellow William W. Beach, "states will face a heavy increase in spending and a rise in the proportion of their projected revenues that must be dedicated to Medicaid." *Did you know* that, according to the Congressional Budget Office, annual federal Medicaid costs will almost double by the year 2002? William W. Beach, "The Cost to States of Not Reforming Medicaid," *F.Y.I.*, September 26, 1995, The Heritage Foundation.

PolicyFax #3228412

Reforming Medicaid. "While growth in private-sector health care spending has declined recently, spending on Medicaid, the federal-state health insurance program for the nation's poor, has continued to explode—growing at an average annual rate of 19.1 percent between 1990 and 1994. Unless Congress reins in the growth of Medicaid, any attempt to balance the federal budget will be futile." James R. Cantwell, "Reforming Medicaid," *Policy Report* No. 197, August 1995, National Center for Policy Analysis.

PolicyFax #3228306

An alternative to "MinnesotaCare." MinnesotaCare, the state's alternative to national health care legislation, is riddled with many problems but suffers from one fatal flaw: It is built on a foundation of poorly reasoned economic theory. By addressing tax changes, promoting medical savings accounts, and revising incentives, Minnesotans would be given an economically sound way to reduce health care costs, stimulate innovation, and improve health care delivery. Roger R. Conant, Bryan E. Dowd, and Robert E. Christenson, "MinnesotaCare: A Law that Lost Its Way," June 1995, Center of the American Experiment.

PolicyFax #3228411

Deadly serious. The Food and Drug Administration slows medical progress, hampers entrepreneurial enterprises, and destroys jobs due to regulatory obstacles and bureaucratic gridlock. The costs are not merely economic; real people suffer and even die as a result of the FDA's assumption that "*all* risks can be ameliorated in life, and that only the massive costs and bloated bureaucracies of government can assure relative safety." *Did you know* that FDA policies and conduct have added perhaps $10 to $20 million to the budgets of medical device firms? Raymond J. Keating, "How FDA Red Tape Impacts Entrepreneurs and the U.S. Economy," August 1995. Contact the Small Business Survival Foundation, 1320 18th Street NW #200, Washington, DC 20036, 202/785-0238, e-mail: 75703.3524@compuserve.com.

Europe is a model. By being overly cautious, the U.S. Food and Drug Administration has endangered public safety. Perhaps we should look to Europe as a model for medical device regulation. Under the European Community's approval system, lifesaving and life-enhancing products reach the market far more quickly and are no less safe than in the United States. "Such a system would terminate the FDA's monopoly on the premarket approval of medical devices and establish a mainly privatized system, based on a quality systems approach to evaluation." David C. Murray, "The Human Costs of Regulation: The Case of Medical Devices and the FDA," *Hudson Briefing Paper*, November 1995, Hudson Institute.

PolicyFax #7212403

MSAs and seniors. As Medical Savings Accounts are debated in Congress, America's seniors must understand what would be involved with Republican proposals to replace Medicare with MSAs. This briefing from the National Center for Policy Analysis attempts to answer the most commonly asked questions. *Q: Would the government force seniors to take an MSA?* A: No. Each senior would choose whether to join an MSA plan. Furthermore, the new legislation would give seniors an annual option of moving out of an MSA plan and back into traditional Medicare. Merrill Matthews, Jr., "Answers for Seniors about Medical Savings Accounts," *Brief Analysis*, October 6, 1995, National Center for Policy Analysis.

PolicyFax #3228412

MSAs: Good for Everybody. Critics of Medical Savings Accounts often assert that MSAs are fine for the healthy, but disastrous for the sick. But "the facts tell a different story. People with high medical expenses are almost always better off if they can switch to a Medical Savings Account plan. If any are worse off as a result of the switch, they lose very little." John C. Goodman, "Are Medical Savings Accounts Good for the Sick?" *Brief Analysis*, October 17, 1995, National Center for Policy Analysis.

PolicyFax #3253307

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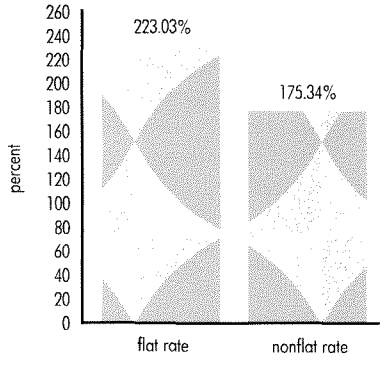
labor

Bringing home the Davis-Bacon. "While minimum wage laws such as Davis-Bacon increase unemployment for all groups and raise costs of production," write distinguished economists Richard Vedder and Lowell Gallaway, "the negative impact of this legislation has fallen disproportionately on individuals subject to discrimination. Davis-Bacon has subsidized prejudicial behavior that is inconsistent with a color-blind society that ensures equal opportunity for all regardless of race, gender, or national origin." Richard Vedder and Lowell Gallaway, "Cracked Foundation: Repealing the Davis-Bacon Act," *Policy Study* No. 127, November 1995, Center for the Study of American Business.

PolicyFax #2200408

Real Personal Income Growth: 1962-1994

(flat rate versus nonflat rate tax states)



U.S. Department of Commerce

The U.S. Department of Lobbying. The U.S. Department of Labor has set up a new 800 number for minimum-wage earners, who are requested to leave messages explaining "what an increase in the minimum wage would mean to you and your family. How would it help? How would it make a difference in your life?"

Raising prices by raising havoc. "A series of attacks on the Food Lion grocery store chain are part of a larger effort by the United Food and Commercial Workers Union to eliminate competition and drive up prices in the grocery industry," argues Thomas J. DiLorenzo. Because Food Lion stores do not rely upon union labor, union groups have targeted the chain as a threat and have attempted to tarnish the company's image. But thanks to the union's efforts to raise prices, "as usual, the consumer is the biggest loser." Thomas J. DiLorenzo, "Labor Unions and 'Consumers United with Employees': The Corporate Campaign against Food Lion," *Organization Trends*, November 1995, Capital Research Center.

PolicyFax #2200409

law

Alternatives to federally funded legal aid. The Legal Services Corporation (LSC) was established in 1974 to provide legal counsel to people who cannot afford it. Proponents of the LSC argue that Republican efforts to eliminate the agency will, if successful, deprive America's poor of civil legal representation. But Americans should keep two facts in mind. First, "the LSC is not the noble bulwark of the rights of the poor that its supporters claim. . . . Second, alternatives to the LSC do exist. Private legal-aid societies predated federally funded legal services by almost ninety years, and would be thriving today had the lure of federal money not ensnared many of them." Kenneth F. Boehm and Peter T. Flaherty, "Legal Disservices Corp.: There Are Better Ways to Provide Legal Aid to the Poor," *Policy Review*, Fall 1995, pp. 17-23.

PolicyFax #4800103

"Loser Pays" loses. A popular legal reform idea is that of "loser pays," which would require the losing party in a lawsuit to pay the winner's legal fees. Although the idea has some merit, it carries with it an enormous potential for abuse. "All economic activity responds to incentives, and litigation is no exception," writes attorney Mark S. Pulliam. "Even without fee-shifting statutes, there are plenty of contingent-fee wildcatters willing to prospect for damages by filing speculative lawsuits." Mark S. Pulliam, "Attorneys' Fleece: Some Potential Dangers of Loser-Pays," *Reason*, November 1995, pp. 44-46.

PolicyFax #4800104

philanthropy

Whither charity? What will be the role of philanthropy in the wake of the Republican revolution? A new report from the Capital Research Center examines two important issues: private alternatives to the federally funded Legal Services Corporation (see the "Law" column in the September/October *IA*) and the likely impact of a flat tax on charitable giving. Regarding the latter, "the evidence suggests that a flat tax may result in a slight short-term decline in charitable giving. . . . In the long-term, however, a flat tax would likely produce *greater economic growth, create more jobs,* and increase disposable income—prerequisites to supporting charities that serve the needy." David Wilkinson and Eliot Jamison, "Charity in a Year of Government Reform," *Alternatives in Philanthropy*, October 1995, Capital Research Center.

PolicyFax #640104

privatization

Free the roads. Urban traffic congestion is more than simply annoying for motorists; it is terrible for the environment too. But new technologies that enable innovations such as peak-hour highway pricing and electronic toll collection at highway speeds promise to revolutionize America's interstate system. It is time to rid ourselves of an outmoded federal bureaucracy and enable states to experiment with their own reforms—such as privatization. Peter Samuel, "Q: Will privatization pave the way for the nation's highways? Yes: Let capital markets fund the nation's road repairs," *Insight on the News*, October 9, 1995, pp. 18, 20-21.

PolicyFax #6504103

How to Mend Social Security. Two new studies from the Cato Institute demonstrate that Social Security is collapsing, and privatization might

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be its last and greatest hope. For example, "assuming historical rates of return, if individuals born in 1970 were allowed to invest in stocks the amount they currently pay in Social Security taxes, those individuals could receive nearly six times the benefits that they are scheduled to receive under Social Security—as much as $11,729 per month. Even a low-wage earner would receive nearly three times the return on Social Security." William G. Shipman, "Retiring with Dignity: Social Security vs. Private Markets," *Social Security Privatization* No. 2, August 14, 1995, Cato Institute.

PolicyFax #8036403

Karl Borden, "Dismantling the Pyramid: The Why and How of Privatizing Social Security," *Social Security Privatization* No. 1, August 14, 1995, Cato Institute.

PolicyFax #8036402

regulation

Don't believe everything you hear. The Consumer Federation of America has publicly opposed two congressional bills that would deregulate the telecommunications industry. CFA argues that the bills would cost consumers billions. In fact, the proposed legislation would likely mean $30 billion in savings for the American people. Consumers would further benefit by the resulting improvements in telephone and cable service. Wayne Leighton, "Telecommunications Reform Bills: CFA Claims Just Don't Ring True," *Issue Analysis*, November 13, 1995, Citizens for a Sound Economy.

PolicyFax #7200411

taxes

A less taxing reform. "A low, flat-rate income tax would be a substantial improvement over the current federal income tax. It would be more fair, by restoring equal treatment under the law. It would boost economic growth, which means more jobs and higher wages. And it would radically simplify the task of compliance, saving taxpayers millions of hours of paperwork each year. Rarely do politicians have the opportunity to do so much good by doing something so simple." Roy E. Cordato, "Simply Reforming the Income Tax," *Perspective*, October 24, 1995, The Heartland Institute.

PolicyFax #8036110

A capital gains tax primer. "Despite the high profile of [the capital gains tax] in Washington, many Americans still have little awareness of why the tax treatment of capital gains should matter to them. This study is an attempt to make the capital gains tax understandable and relevant to ordinary American workers." *Did you know* that, over the past thirty years, every time the capital gains tax has been cut, tax payments by the wealthy have substantially risen? Stephen Moore and John Silvia, "The ABCs of the Capital Gains Tax," *Policy Analysis*, October 4, 1995, Cato Institute.

PolicyFax #8024304

Good for the rich, best for the poor. According to a new paper from the National Center for Policy Analysis, a capital gains tax cut benefits the poor the most. Although the greatest total gain in income would go to the highest-income group (those earning $50,000 or more), the highest percentage gains go to the lowest-income families. Barry J. Seldon and Roy G. Boyd, "Poor Gain (Proportionately) the Most from Capital Gains Tax Cut," *Brief Analysis*, October 25, 1995, National Center for Policy Analysis.

PolicyFax #8024305

Limiting earnings. Social security recipients under age seventy who earn more than a modest amount of income from wages and salary are America's most heavily taxed citizens. A married 64-year-old couple with as little as $22,500 in total annual income, for example, faces a marginal tax rate of 83 percent. At higher income levels, the couple would face a marginal tax rate greater than 100 percent. In other words, their net income would *decrease* if they worked for pay. Such an earnings penalty should be abolished immediately. Stephen J. Entin, "Tax Fairness for the Elderly: Eliminating the Social Security Earnings Penalty," *Policy Backgrounder* No. 137, September 14, 1995, National Center for Policy Analysis.

PolicyFax #8036401

Raising taxes by eliminating deductions. The House Ways and Means Committee, claiming to have struck a blow against "corporate welfare," has proposed eliminating numerous business tax deductions as a means of achieving a balanced budget. But such proposals are little more than tax increases. "Not taking money from one group does not incur a cost on another," argues policy analyst Michael F. Cannon. "Rather than enact these tax increases, which would increase revenues by $622 million in its first year, Congress could instead eliminate scores of corporate subsidies—true corporate welfare—that would bring us $622 million closer to a balanced budget." Michael Cannon, "The 104th Congress's First Tax Increase?" *Capitol Comment*, October 6, 1995, Citizens for a Sound Economy.

PolicyFax #8024104

Problems with a national sales tax. Many prominent politicians and political analysts have proposed replacing the federal income tax with a national sales tax. But according to Bruce Bartlett, senior fellow at the National Center for Policy Analysis, a national sales tax would fail to raise enough revenue, would dramatically broaden the tax base, and would impose a huge burden on state governments, among other problems. Bartlett estimates that such a tax reform would impose at least $12 billion in costs on state governments—requiring a 1 percent tax hike to raise the same revenue. Bruce Bartlett, "The National Sales Tax Fantasy," *The American Enterprise*, July/August 1995, pp. 59-61.

PolicyFax #8076401

trade

Pass the sugar, please. "The House and Senate will soon have the opportunity to vote on whether to give America's depression-era sugar program a new lease on life. How Congress chooses to deal with this program—perpetuating it or phasing it out—will demonstrate whether it has heard the message sent by voters a year ago to eliminate wasteful programs, or whether it will continue politics as usual." *Did you know* that the General Accounting Office has conservatively estimated that the sugar program costs consumers

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$1.4 billion a year while primarily benefitting a small number of sugar farmers? Donald Dempsey, "America's Sugar Policy: A Not So Sweet Deal for Consumers," *Capitol Comment*, October 26, 1995, Citizens for a Sound Economy.

PolicyFax #1980110

transportation

Ending unfunded mandates in transportation. The California Department of Finance has estimated that unfunded mandates cost the state $7.7 billion in 1994-95—nearly $1,000 for every family in the state. Transportation-related mandates make up a large percentage of that total. The Claremont Institute has identified at least 23 such mandates that, if eliminated, could save the state $2.262 billion. "If substantial relief from these mandates is to come . . . it must almost certainly be initiated in the states, either through subtle acts of non-compliance or bold acts of outright defiance." Tom McClintock, "Unfunded Federal Mandates in Transportation," *Briefings*, September 25, 1995, The Claremont Institute.

PolicyFax #8100405

welfare

Are vouchers the answer? Many analysts point to expanding the role of vouchers as an answer to our welfare crisis. But as John Hall and William D. Eggers point out, "vouchers provide an efficient, flexible delivery system, suitable for many social services, but like all government social programs, vouchers can also have their drawbacks." Vouchers are indeed an idea worth considering, but policymakers must not overlook the distinct possibility of unintended consequences. John Hall and William D. Eggers, "Health and Social Services in the Post-Welfare State: Are Vouchers the Answer?" *Policy Study* No. 192, August 1995, Reason Foundation.

PolicyFax #9272412

Give abstinence a chance. Social scientists point to adolescent pregnancy as one of our most serious social problems and a key obstacle to meaningful welfare reform. One of the most effective approaches could be reasserting the idea of teen abstinence. "[P]romotion of abstinence, personal respect, and responsibility must be the new approach in any welfare reform proposals geared to preventing dependency. Abstinence programs must be part of a whole, unambiguous cultural message that promotes responsibility in all facets of life, including the sexual." Joseph J. Piccione and Robert A. Scholle, "Combatting Illegitimacy and Counseling Teen Abstinence: A Key Component of Welfare Reform," *Backgrounder*, August 31, 1995, The Heritage Foundation.

PolicyFax #9272413

How Not to Be Poor. "There are four choices young Americans can make that are more likely than any government welfare program to keep them out of poverty and on the road to a productive and prosperous life: (1) finish high school, (2) stay married, (3) get a full-time job, and (4) if a woman, don't have children before age twenty. Poverty programs that focus on goals other than these—job training and day care, for example—are unlikely to be successful." Chris Middleton, "How Not to Be Poor," *Brief Analysis*, November 9, 1995, National Center for Policy Analysis.

PolicyFax #9200303

Poor is as poor does. "It appears that impoverished Americans live better than many of the nonpoor in wealthy European countries," writes Bruce Bartlett. "The lesson is that while many of those who appear to be poor really are, many others are not." *Did you know* that, in 1991, the United Kingdom was the only European country where ownership of VCRs exceeded that of the American *poor*. Meanwhile, ownership of clothes dryers in Sweden was about the same as among the American poor. Bruce Bartlett, "How Poor Are the Poor?" *Brief Analysis*, October 25, 1995, National Center for Policy Analysis.

PolicyFax #9200103

Why work? A new study from the Cato Institute provides a state-by-state analysis of the trade-offs between full-time work and welfare benefits. The study's authors found that many states and localities offer welfare benefits that are far more generous than the income possible through a full-time job. *Did you know* that "the national median wage for computer programmers is about $13.03 per hour—less than the welfare benefit levels in the six most generous states?" (See p. 22 for a related article by Michael Tanner.) Michael Tanner, Stephen Moore, and David Hartman, "The Work vs. Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," *Policy Analysis*, September 19, 1995, Cato Institute.

PolicyFax #9200302

other topics

1995 or 1984? In an effort to curtail illegal immigration, some members of Congress—most notably Sen. Dianne Feinstein (D-Calif.)—have proposed creating a national computerized registration system for all American workers, as well as a series of national identification cards that could contain individuals' photographs, fingerprints, and even retina scans. Such measures not only would fail to reduce illegal immigration, they also would pose large costs in terms of both dollars and lost liberties. *Expensive?* Some experts estimate that the proposed system would cost the federal government between $3 and $6 billion per year to administer. John J. Miller and Stephen Moore, "A National ID System: Big Brother's Solution to Illegal Immigration," *Policy Analysis*, September 7, 1995, Cato Institute.

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Safety through community policing. "We can learn from America's most innovative public-safety models—San Diego's problem-oriented, neighborhood policing; New York's subway-disorder reduction; Milwaukee's landlord empowerment policies; and Dayton's Five Oaks street closures—to develop a new vision of policing America's neighborhoods and downtowns where police departments are closer to the communities they serve and citizens and communities take a more active role in protecting their safety. . . . Under this scenario, America could see a future with fewer police and more security." William D. Eggers and John O'Leary, "The Beat Generation: Community Policing at Its Best," *Policy Review*, Fall 1995, pp. 4-11.

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